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**CENTRAL INTELLIGENCE AGENCY**  
WASHINGTON, D.C. 20505

9 March 1982

Mr. Brian V. Kinney  
Chief, Declassification and  
Historical Research Branch  
Records Management Division  
Washington Headquarters Services  
Room 1D517, Pentagon  
Washington, D.C. 20301

Dear Mr. Kinney:

We have reviewed the classification status of the letter forwarded to us on 1 March 1982. The letter, without attachments, has been downgraded to Secret under Sections 1-301(c) and 1-301(d) of Executive Order 12065. The next review date for the memorandum is 1989.

The downgrading relates to the covering letter alone. If the attachment is found together with the letter, the Agency would have to review the entire package before downgrading it.

Sincerely,



Chief, Classification Review Division  
Office of Information Services  
Directorate of Administration

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Enclosure:

Letter from the DCI, dtd 11 Dec 51;  
Subj: Assets in China, w/o att

Distribution:

Orig - Addressee w/att  
1 - Liaison w/DOD w/att  
1 - Chrono w/o att



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Unclassified when  
Separated from  
Enclosure

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*United States Policy  
towards Asia*

CENTRAL INTELLIGENCE AGENCY  
Washington 25, D.C.

Office of the Director

Dec 11 1951

The Honorable Robert A. Lovett  
The Secretary of Defense  
Washington, D.C.

Dear Mr. Secretary:

In anticipation of the probability of a military cease-fire in Korea, as well as the possibility of a breakdown in negotiations, it becomes important to review our assets in China proper and the effect thereon of either development. A year ago the Chinese Nationalist Government claimed the existence of 1,500,000 guerrillas on the Mainland of China, and although we believe that this figure was exaggerated, we know that during the past year the effective action of the Chinese Communist forces has greatly reduced the number of guerrillas. The current CIA estimate is approximately 165,000. A military cease-fire on the Korean peninsula will probably restore freedom of movement to a major portion of Chinese forces now confronting us, and it is to be assumed that the Chinese Communist Government will then take action to intensify the anti-guerrilla campaign.

Another asset is the Chinese Nationalist Forces on Taiwan. Their army now consists of about 450,000 ground troops in fair state of small unit training but with inadequate equipment and in a poor state of combat effectiveness. Their small Navy and Air Force have both deteriorated militarily as a result of lack of equipment and training facilities. These forces will within four years begin to undergo a rapid deterioration through age alone. They, like the guerrillas on the Mainland, represent a waning asset which will have to be strengthened, built up, and used within the immediate foreseeable future if we are to get any benefit from them.

The military and economic programs for the support of Taiwan, such as they are, have attained only limited success. This is due in part at least to Nationalist refusal to effect political reform and particularly to the failure of the Nationalist Government to eliminate corruption among its officials.

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Recent studies based on personal observation on the spot by several qualified officers [redacted] indicate the following:

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(a) The Chinese Nationalist forces are not as ineffective potentially as the pessimistic reports made a year ago, by our Service Attaches then on Taiwan, would indicate. Neither are they as effective as the optimistic reports of Americans now employed directly or indirectly by the Chinese Nationalist Government would indicate. My belief is that they can be made effective and that if U. N. policy permitted, and if the Nationalist Government would cooperate effectively, Chinese Nationalist divisions could be rotated to Korea and might serve very creditably. It is the opinion of General Wyman and other qualified observers that the presence of a Nationalist division in Korea in contact with former Nationalist troops now serving the Communist Government would have a marked psychological effect.

(b) The existing scattered and relatively ineffective guerrilla forces on the Mainland, if well led, armed, and given a political rallying point, could be made a potent weapon and might contain such stronger Chinese Communist forces.

(c) The presence on Taiwan of a Chinese Nationalist force gaining in strength as the result of training, improved morale, and improved equipment, would, particularly if its combat training should include repeated and aggressive raids and temporary thrusts onto the Mainland, immobilize for coastal defense a considerable proportion of the better troops of the Chinese Communist Army and a large quantity of its military transport.

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In my opinion if we are to obtain the full effect of the possibilities enumerated above, two things are required. The first is a change in our own policy with respect to employment of Chinese Nationalist forces and a more aggressive approach to the use of guerrillas. Second: political reform of the Chinese Nationalist Government is essential. So far U. S. efforts to encourage such reform have been almost without success as the

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controlling clique of the KMT has been unwilling to loosen its stranglehold on the Government. It is probable that this intransigence stems from the belief that maintenance of the status quo gives this clique an exclusive claim to reinheritance of the Mainland as a by-product of U.S. victory in World War III.

Attached are two studies bearing on the basic subject which I suggest be given military staff consideration. One of these represents the views of the Estimates Division of this Agency which, although not an IAC coordinated paper, reflects the most recent estimates of the military intelligence agencies. As will be noted, this paper does not concern itself with the beneficial effects which would result from an improvement of the political situation on Taiwan.

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These are my personal views, based on conversations with all those in this Agency who are giving consideration to the exploitation of our assets in the Far East. I recommend, however, that the Joint Chiefs of Staff consider this general subject and the attached papers as a matter of urgency for the purpose of amplifying and firming up our present program and, if indicated by mature consideration, producing recommendations which will crystallize our governmental policy toward the strengthening of Taiwan as an anti-Communist base militarily, economically, politically, and psychologically. It seems to me that the self-interest of the United States demands this.

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Sincerely,

s/ Walter B. Smith  
t/ Walter B. Smith  
Director

Enclosures (2)

Copy of letter with enclosures:  
The Secretary of State

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DEPARTMENT OF DEFENSE  
WASHINGTON, HEADQUARTERS SERVICES  
WASHINGTON, D.C. 20301

March 1, 1982

MEMORANDUM FOR THE CHIEF, CLASSIFICATION REVIEW DIVISION, CENTRAL INTELLIGENCE AGENCY

SUBJECT: Request for Declassification Review

During the systematic review of all classified Office of the Secretary of Defense (OSD) documents over 20 years old, the Declassification and Historical Research Branch, Records Management Division, Directorate for Correspondence and Directives, Washington Headquarters Services, turned up the attached document(s).

The documents were either originated by your agency, contain information for which your agency is the classification authority, or are otherwise of interest to you.

It is therefore requested that your agency review the documents and recommend declassification, continued classification at the present or lesser level of classification, and/or review by other agencies. If your agency is recommending continued classification, in accordance with Paragraph 3-401, Executive Order 12065, it is requested that an authority for continued classification be specified, along with a date for the next review.

The time permitted by Executive Order 12065 to reach the point where all OSD documents over 20 years old have been reviewed, and the large volume of over 20 year old OSD documents, make it necessary to request your response within 60 days. In your response, you may wish to provide guidance with regard to what categories of information you do and do not wish to have referred to you in the future.

Your assistance in effecting this review will be most appreciated. Please return the documents to Mr. Brian V. Kinney, Chief, Declassification and Historical Research Branch, Records Management Division, Washington Headquarters Services, Room 1D517, Pentagon, Washington, D.C. 20301, upon completion of your review.

Without attachments, this memorandum is UNCLASSIFIED.

*E. E. Lowry Jr.*  
E. E. Lowry, Jr.  
OSD Records Administrator

Attachments (1)

Letter, Dec 11, 51, Re: Assets in China/wo Attachments (TS)

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